

Costa Mesa Sanitary District

*Protecting our community's health and
the environment by providing solid waste
and sewer collection services*



**Fiscal Year 2011-12
Adopted Budget**

Costa Mesa Sanitary District

Adopted Budget

Fiscal Year 2011-12

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Vice President

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Secretary

Jim Fitzpatrick
Assistant Secretary

Art Perry
Board Member

Scott Carroll
General Manager

COSTA MESA SANITARY DISTRICT

Adopted Budget

Fiscal Year 2011-12

Table of Contents

Message from the General Manager	1
Overview:	
Vision/Mission/Goals	4
CSMFO Outstanding Financial Reporting Award	5
District Map	6
Organization Chart	7
Financial Policies	8
Reserve Policy	9
Basis of Budgeting/Accounting	10
Fund Descriptions	11
Adopted Budget:	
Summary Budget	12
Revenue Assumptions	14
Fund Balance Summary	15
Personnel Summary	16
Solid Waste Indicators	17
Solid Waste Fund Adopted Budget	18
Liquid Waste Fund Indicators/Adopted Budget	21
Capital Improvement Projects Adopted Budget	25



COSTA MESA SANITARY DISTRICT

...an Independent Special District

General Manager's Budget Message

2011-12 Budget

June 29, 2011

To the Honorable President and Board of Directors:

It is my pleasure to submit to you the Costa Mesa Sanitary District (CMSD) adopted 2011-12 operating and capital improvement budget as specified in District Resolution No. 2011-795. The adopted budget is consistent with the Board's direction following the public meetings on April 27 and May 26, 2011 and is considered one of the most ambitious spending plans in CMSD's recent memory. I am delighted this spending plan is being achieved with no rate increases for the seventh consecutive year for refuse collection services and the second consecutive year without a sewer rate increase.

The balance budget, which consists of spending nearly \$13 million on sewer and refuse related expenses, is a 29.47% increase from the Fiscal Year 2010-11 budget. The increase in expenditures is in large part due to the District's aggressive CIP plan to spend **\$2,397,250** on sewer improvement projects that will ensure current and future wastewater is continually being collected and transported in a safe and efficient manner. The CIP Projects include:

- Force mainline improvements
- Manhole refurbishments
- System wide sewer reconstruction – Phase II
- Seismic retrofits at various pump stations
- Force mainline condition assessments

I am pleased to report that salaries and benefits will be below 20% of the District's operating budget. Of the District's **\$9,015,085** operating budget, **\$1,431,740** is for salaries and benefits, which accounts for only 16% of the budget. Reports have shown that the average local government in California consumes 54% of their total budgets on personnel costs. There are three reasons why the District is able to keep personnel costs far below the state average for local governments:

1. The District depends on using private vendors to provide for major services that includes refuse collection, sewer mainline cleaning, pump station enhancements and professional services such engineering, inspections, legal, and treasury services.
2. Due to recent retirements, the District was able to restructure many staff positions. For instance, the Operations Manager, which is considered an executive position in the District, will remain vacant while the District hires a new maintenance worker in the field. In addition, the Maintenance Supervisor position will be filled while the Lead Maintenance Worker position will remained vacant. The District will save approximately **\$162,743** in personnel costs from the recent retirements.
3. The Board approved a two-tier pension system program for newly hired employees. New employees will pay their share of pension costs, which is 7% to CalPERS and their benefit plan will be 2% at 60 (current employees are 2% at 55). The District's plan to hire three new employees will save almost **\$20,000** in FY 2011-12 from the two-tier pension system.

Another feature of the budget is a new Asset Management Fund that will be used for replacing old and dilapidated infrastructure. This fund, which currently has nearly \$5 million, will be evaluated every year by staff to ensure there is adequate and sustainable funding for the next thirty years.

This budget will also be furthering the advancement of the District's vision, mission and core values, as identified in the Strategic Plan, by funding all seven of the strategic elements along with the service goals the Board established to achieve in FY11-12. The funding of the Strategic Plan will assure that operations and management of the District are well supported for continued success.

Last year, the District was recognized for the first time by the California Society of Municipal Finance Officers for meeting outstanding financial reporting. I am confident that the FY11-12 Budget document staff has prepared for your adoption will once again meet the high professional standards of local government financing and I'm sure this document will assist staff in addressing the challenges that lay ahead. In conclusion, I want to thank you, the Board of Directors, for your review, advice, suggestions, and policy direction during the budget process and I would like to give a special thank you to staff for their tireless efforts and extreme dedication for producing a worthy budget document.

Sincerely,



Scott C. Carroll
General Manager

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12

Mission Statement, Vision Statement, Core Values

Mission

"Protecting our community's health and the environment by providing solid waste and sewer collection services."

Vision of the Costa Mesa Sanitary District

IN FIVE YEARS THE DISTRICT WILL HAVE:

- eliminated areas in our sewer system that require significant enhanced maintenance;
- a positive reputation in the community;
- significantly lessened infiltration and inflow into our sewer system;
- mitigated calcium buildup in the sewer collection system;
- diverted as much solid waste as practical from the landfill;
- eliminated all public sewer system overflows;
- implemented modern technologies to all of our operations;
- completed the Westside Pumping Station Abandonment;
- diversified out our revenue sources;
- continued our model sewer lateral program;
- implemented a working succession plan; and
- maintained reasonable rates and reserves to support current and future infrastructure.

Core Values of the Costa Mesa Sanitary District

- Is it responsive to our customers?
- Is it cost efficient, practical and sensitive to rates?
- Does it protect the environment?
- Will it support our commitment to maintenance and rehabilitation of our sewer infrastructure?
- Does it support our employees to be productive and motivated?
- Will it support our commitment to reliability in the services we provide?

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12

***California Society of
Municipal Finance Officers***

Certificate of Award

***Outstanding Financial Reporting
for the Fiscal Year Ending June 30, 2010***

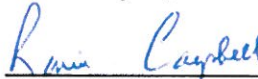
Presented to the

Costa Mesa Sanitary District

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting systems from which reports were prepared.



February 24, 2011



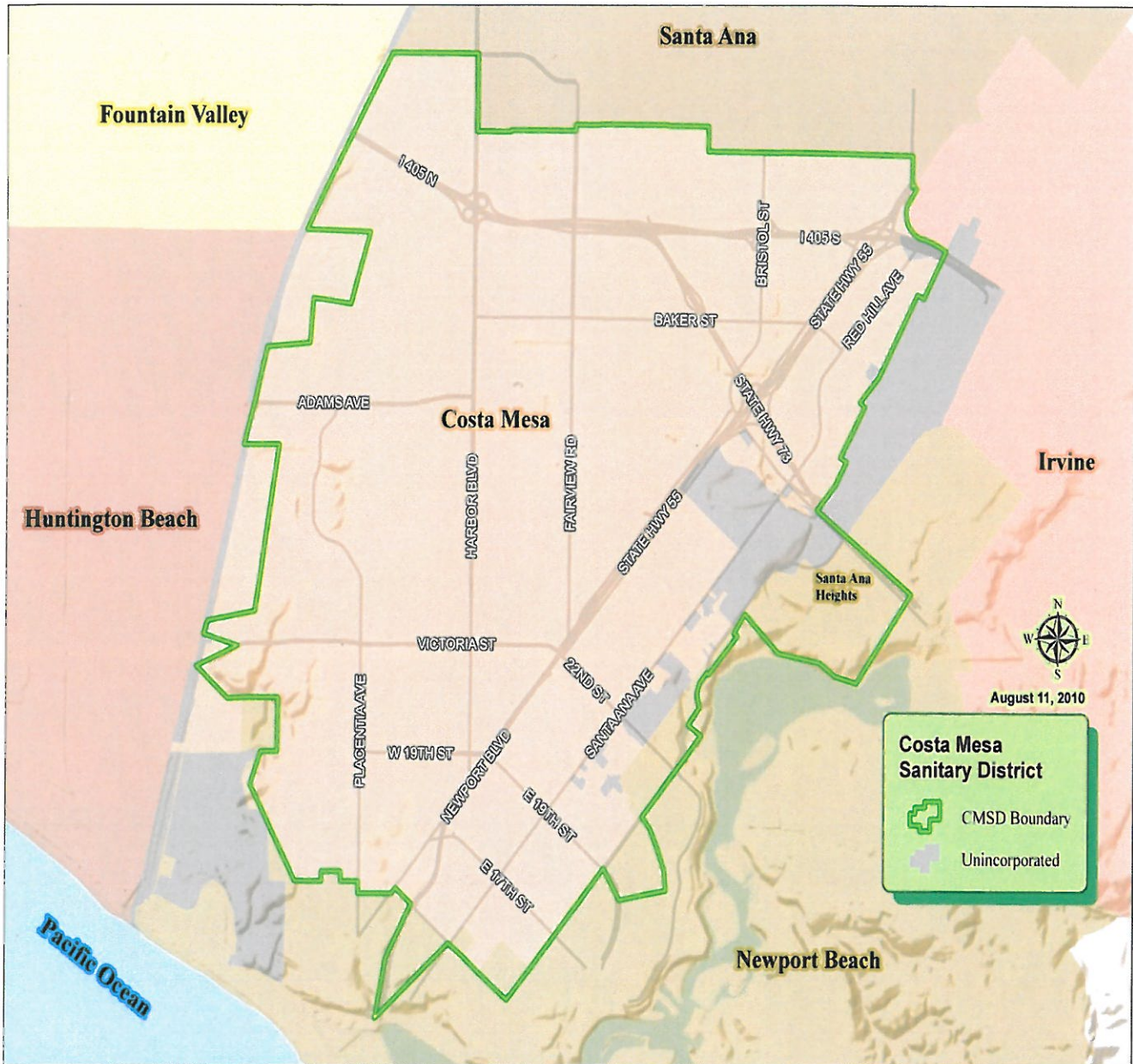
Ronnie Campbell
CSMFO President



Chu Thai, Chair
**Professional Standards and
Recognition Committee**

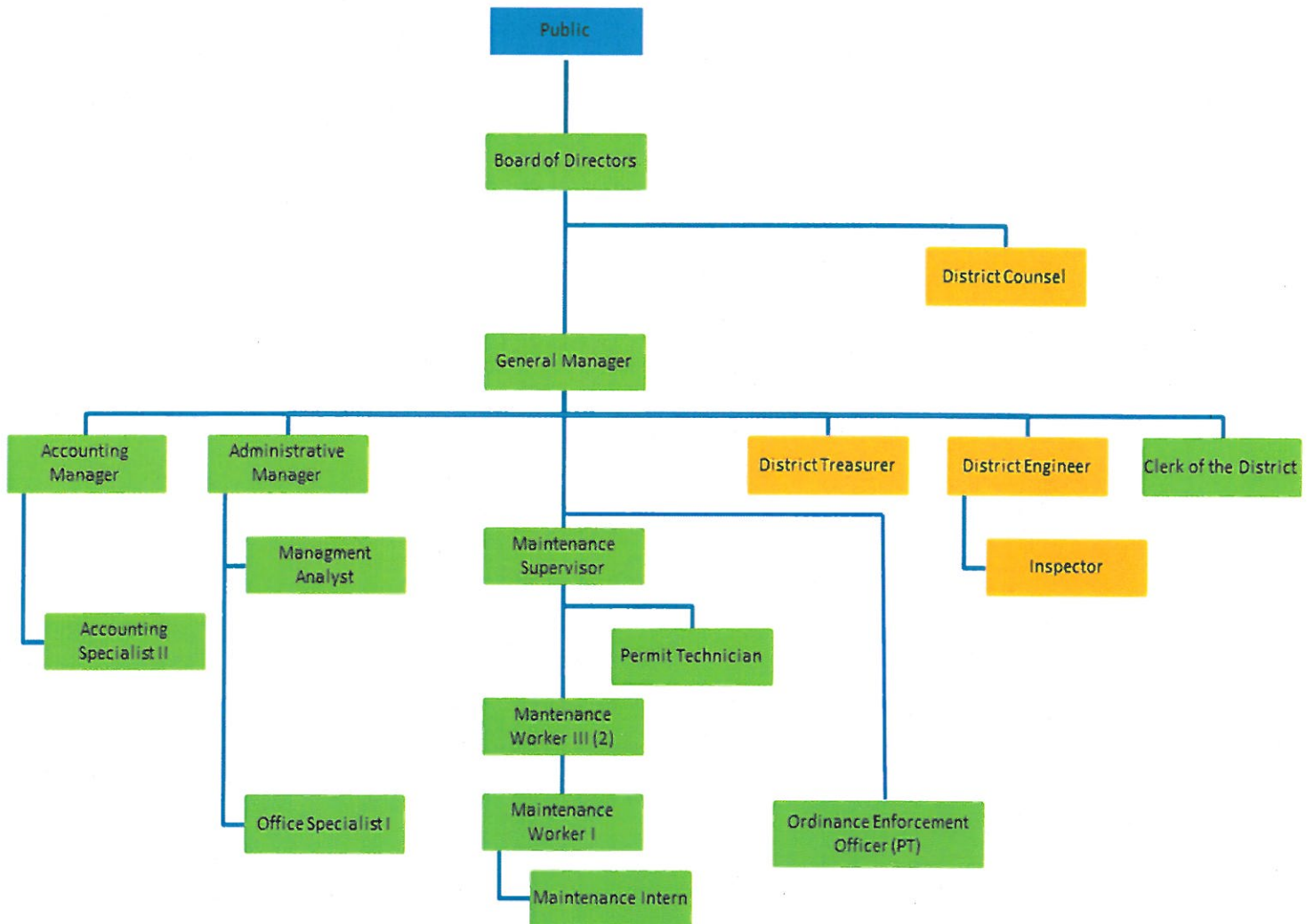
Dedicated Excellence in Municipal Financial Reporting

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12



COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12

CMSD Organization Chart



 Contracted Employees

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12

Financial Policies

The Costa Mesa Sanitary District (District) has adopted financial policies to guide the General Manager and Board of Directors through the budget decision-making process. These policies are:

1. Operating Reserves – The District will maintain a minimum designated Reserve for Working Capital equal to 15% of its operating budget within its Solid Waste Fund and 10% of its operating budget within its Liquid Waste Fund.
2. Fairness and Equity – All customers of the District will pay their fair, equitable and proportionate cost of the services provided by the District.
3. Recurring Revenue Growth – Recurring increases in expenses should not be approved which exceed recurring revenue growth. Any new or expanded programs will be required to identify new funding sources and/or off-setting reductions in expenses.
4. Risk Management/Retention – The District will maintain appropriate reserves for general liability claims and other programs or self-insured risk retention levels to meet statutory requirements and actuarially projected needs.
5. Long Range Fiscal Perspective (Capital Expense Policy) – The District will maintain a long-range fiscal perspective through the use of an annual operating budget, long - range capital improvement program, and multi-year revenue and expense forecasting.
6. Capital Improvements – Major capital improvement projects will be funded using the most financially prudent method available. Such methods include: 1) traditional long-term financing (bond issues); 2) “pay as you go” financing; and 3) using accumulated cash reserves in excess of policy requirements.
7. Generally Accepted Accounting Principles – District staff shall comply with all generally accepted accounting principles promulgated by the state and federal government, regulatory agencies such as the Government Accounting Standards Board (GASB) and relevant professional associations such as the Government Finance Officers' Association (GFOA).
8. Level of Budgetary Control – The level of budgetary control is at the account level. Budgetary variances up to \$50,000 within these accounts will be addressed by the General Manager. Transfers to capital improvement projects (CIP) requires Board approval.

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12

Reserve Policy

The Board has adopted a reserve policy to establish a minimum level of reserves for working capital within the operating funds of the District. Operating funds of the District consist of the Solid Waste Fund and the Liquid Waste Fund. On September 18, 2008, the reserve policy was amended by the Board as follows:

- (a) Policy: The District will maintain a minimum designated Reserve for Working Capital equal to 15% of its operating budget within its Solid Waste Fund, and 10% of its operating budget within its Liquid Waste Fund.

- (b) Operating Reserves Required: The Reserves for Working Capital for Operating Funds will be maintained at a level equal to 15% of its operating budget within its Solid Waste Fund, and 10% of its operating budget within its Liquid Waste Fund, for the fiscal year. The District has a period of negative cash flow for the first five months of the fiscal year until such time as the annual charges have been collected and remitted to the District. This level of operating reserve provides the District with the necessary liquidity and resources to cover this period of negative cash flow as well as unanticipated expenses. It is prudent for governmental entities to maintain operating reserves which constitutes a sound operating practice as determined by oversight bodies, professional organizations, bond rating agencies and bond insurance companies. The operating reserve may only be accessed under the following circumstances, and only with Board approval.
 - 1. Federal/State budget cuts resulting in loss of grant funding;
 - 2. Local revenue shortfalls due to a downturn in the local economy;
 - 3. Increase in demand for specific services without another source of recovery;
 - 4. Legislative or judicial mandates to provide new or expanded services or programs without new or fully off-setting revenues;
 - 5. One-time Board approved expenses;
 - 6. Unexpected increases in inflation (Consumer Price Index); or
 - 7. Natural disasters (earthquakes, fires or other general infrastructure failures).

If the operating reserves are required to be used, staff will incorporate a plan to restore the Reserves for Working Capital to 15% of the Solid Waste operating budget and 10% of the Liquid Waste operating budget as part of the subsequent year's proposed budgets.

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12

Basis of Budgeting and Accounting

The District is a California Special District established and incorporated in February 1944 pursuant to Division VI, Part 1 of the Health and Safety Code of the State of California (sometimes referred to as the Sanitary District Act of 1923).

The accounts of the District are presented as enterprise and internal service funds. An enterprise fund is a proprietary fund type used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

An internal service fund is also a proprietary fund type which accounts for the goods or services purchased by one cost center on behalf of another cost center. Revenue is derived from charges to other funds.

Budget Control

The General Manager is responsible for keeping the expenses within budget allocations and may adopt budget policies necessary to carry out that responsibility. No expenditure of funds shall be authorized unless sufficient funds have been appropriated by the Board.

The level of budgetary control is the account level. Budgetary variances up to \$50,000 within accounts objects will be addressed by the General Manager, i.e., the General Manager has the authority to transfer budget amounts at the line item level. A transfer to any district CIP projects requires prior Board approval. All budget modifications or adjustments are documented and tracked in the District's computerized financial system.

The General Manager may hire personnel as necessary, as long as the position(s) or classification(s) have been authorized in advance by the Board.

In the event that the General Manager determines that an emergency exists requiring immediate action, the General Manager is authorized to order emergency work pursuant to Public Contract Code Section 22050 and if such action is ordered, the General Manager shall report to the Board at successive regular meetings stating the justification for continuing with the emergency work.

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12

Fund Descriptions

The District accounts for its revenue and expenses in enterprise funds. Enterprise funds provide services that are financed through user charges. The funds currently used by the District are as follows:

Enterprise Funds:

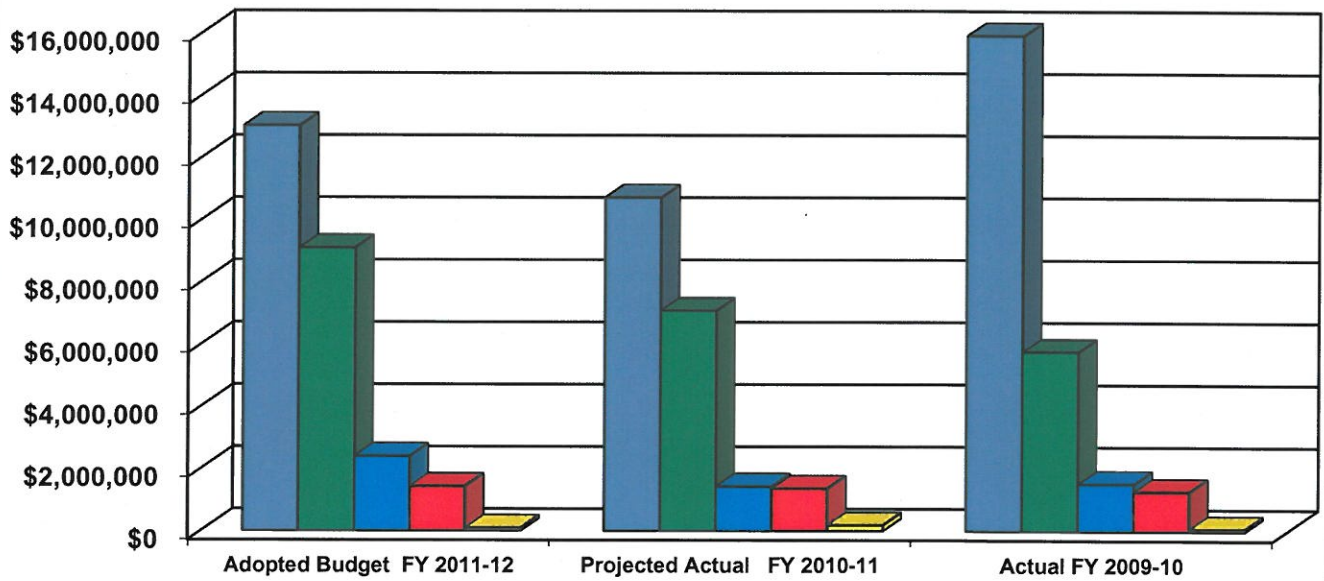
1. Solid Waste Fund – This fund accounts for the annual charge for providing solid waste collection services to the District's customers and the cost of managing the refuse collection and recycling processes.
2. Liquid Waste Fund – This fund accounts for the annual charge for providing sewer services to the District's customers. Expenses include operations and capital improvement projects.
3. Sewer Construction Fund – This fund is restricted and accounts for deposits received from developers in lieu of constructing required sewer improvements associated with a development project. The funds on deposit are held by the District until such time as the District constructs the required sewer improvement. An annual budget for this fund is not adopted. Rather, as required projects are ready to be constructed, a budget adjustment will be brought to the Board to appropriate the required monies.
4. Facilities Revolving Fund – This fund is restricted and accounts for the receipt and disbursement of capacity charges (fixture fees). Funds collected can only be used for new sewer facilities and cannot be used for maintenance. An annual budget for this fund is not adopted. Rather, as required projects are ready to be constructed, a budget adjustment will be brought to the Board to appropriate the required monies.
5. Asset Replacement Fund – The purpose of this fund is to accumulate reserves for the purchase of new or replacement vehicles, equipment and computers. Revenues to this fund are received as charges for services from the Solid Waste and Liquid Waste funds. User funds are charged an annual rental rate for the use of the asset. Transfers back to the user funds are in accordance with the operating budget plan and provide funding for the purchase of the assets at the user fund level.
6. Asset Management Fund – The purpose of this fund is to accumulate reserves for capital improvements. The fund was started with \$5,575,000 transferred from the Liquid Waste Fund. Annual Reserve Contributions are made with transfers from the Liquid Waste Fund estimated by the Asset Management Program. Transfers back to the Liquid Waste Fund are in accordance with the capital budget plan and provide funding for capital improvement projects.

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12

**Summary Budget
for Solid Waste and Liquid Waste Funds**

	Adopted Budget FY 2011-12	Estimated Actual FY 2010-11	Increase (-Decrease)	
			Amount	Percent
Revenues:				
Annual charge	\$ 10,269,000	\$ 10,261,910	\$ 7,090	0.07%
Property taxes	-	119,461	(119,461)	-100.00%
Investment earnings	184,000	94,000	90,000	95.74%
Additional container charge	100,000	107,000	(7,000)	-6.54%
Other	63,000	92,006	(29,006)	-31.53%
Capital Contributions	-	-	-	
Transfers In	2,397,250	28,520	2,368,730	
Total Revenues/Transfers In	13,013,250	10,702,897	2,310,353	21.59%
Expenses:				
Salaries & benefits	1,431,740	1,361,590	70,150	5.15%
Operations & maintenance	7,488,845	7,074,230	414,615	5.86%
Programs	94,500	186,390	(91,890)	-49.30%
Capital improvement projects	2,397,250	1,428,148	969,102	67.86%
Transfers Out	<u>1,600,000</u>	<u>-</u>	<u>1,600,000</u>	-
Total Expenses/Transfers out	13,012,335	10,050,358	2,961,977	29.47%
Net Income (Loss)	<u>\$ 915</u>	<u>\$ 652,539</u>	<u>\$ (651,624)</u>	-99.86%

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12



- Revenues
- Operations & maintenance
- CIP
- Salaries & benefits
- Programs

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12

Revenue Assumptions

District revenues are primarily derived from sanitation and sewer fees. The sanitation and sewer fees are charged for residential refuse collection services and residential, industrial and commercial sewer services. Assumptions used in developing the fiscal year 2011-12 revenue estimates are as follows:

Solid Waste Fund

The annual charge is projected based upon the current annual charge of \$239.41 per year, or \$19.95 per month for approximately 21,500 units. This adopted budget does not include an increase in the annual charge.

The additional container charge is projected based upon 100% of the variable container fee for the 2010-11 fiscal year. This revenue source is used for rate stabilization purposes. Staff met with representatives of CR&R during the fiscal year 2011-12 budget process to review the split of the additional container fee. CR&R agreed to keep the current percentage of 86% to the District and 14% to CR&R.

Interest income is estimated based upon an average yield of 1.10% for the year.

Liquid Waste Fund

There is no proposed increase to the annual liquid waste charge. The annual charge for a single family resident is \$66.23 per year or \$5.52 per month. All rate categories are discussed in detail on pages 22 and 23. The District maintains 216 miles of sewer mainline that transport 13.6 million gallons a day to treatment facilities for 116,700 residents residing in Costa Mesa, Newport Beach and unincorporated County of Orange.

Interest income is estimated based upon an average yield of 1.10% for the year.

The following subsections discuss the proposed budget for each fund, as well as the highlights of changes from the projected actual revenues and expenses for fiscal year 2010-11.

COSTA MESA SANITARY DISTRICT
Fund Balance (Accrual Basis)
Fiscal Year 2011-12

	Solid Waste Fund	Liquid Waste Fund	Asset Replacement Fund	Asset Management Fund	
Retained Earnings, June 30, 2010	\$ 4,767,478	\$28,913,410	\$ -	\$ -	\$33,680,888
Estimated Revenues					
Annual charge	5,144,840	5,117,070			10,261,910
Property taxes	119,461				119,461
Investment earnings	25,000	69,000			94,000
Additional container charge	107,000				107,000
Charges for service			192,540		192,540
Other	58,247	33,759			92,006
Transfer in		28,520			28,520
Total Estimated Revenues	5,454,548	5,248,349	192,540	-	10,895,437
Estimated Expenses					
Salaries & benefits	419,200	942,390			1,361,590
Operations & maintenance	4,673,470	2,400,760			7,074,230
Programs	186,390				186,390
Capital improvement projects					-
Depreciation		700,000			700,000
Transfer out			28,520		28,520
Total Estimated Expenses	5,279,060	4,043,150	28,520	-	9,350,730
Estimated Net Income (Loss)	175,488	1,205,199	164,020	-	1,544,707
Estimated Fund Balance, June 30, 2011	\$ 4,942,966	\$30,118,609	\$ 164,020	\$ -	\$35,225,595
Transfer to newly established fund, July 1, 2011		(5,775,000)		5,775,000	-
Estimated Revenues					
Annual charge	5,155,000	5,114,000			10,269,000
Property taxes					-
Investment earnings	64,000	120,000			184,000
Additional container charge	100,000				100,000
Charges for service			177,500		177,500
Other	30,000	33,000			63,000
Transfer in		2,397,250		1,600,000	3,997,250
Total Estimated Revenues	5,349,000	7,664,250	177,500	1,600,000	14,790,750
Estimated Expenses					
Salaries & benefits	427,800	1,003,940			1,431,740
Operations & maintenance	4,826,340	2,662,505			7,488,845
Programs	94,500				94,500
Capital improvement projects					-
Depreciation		700,000			700,000
Transfer out		1,600,000		2,397,250	3,997,250
Total Estimated Expenses	5,348,640	5,966,445	-	2,397,250	13,712,335
Estimated Net Income (Loss)	360	1,697,805	177,500	(797,250)	1,078,415
Estimated Fund Balance, June 30, 2012	\$ 4,943,326	\$26,041,414	\$ 341,520	\$ 4,977,750	\$36,304,010
Reserves					
Investment in fixed assets		(22,780,000)			(22,780,000)
Reserved for life insurance	(25,000)				(25,000)
Reserved for capital outlay		(1,345,000)			(1,345,000)
Reserved for earthquake/emergency		(1,000,000)			(1,000,000)
Reserved for operating	(803,000)	(367,000)			(1,170,000)
Estimated Available Fund Balance, June 30, 2012	\$ 4,115,326	\$ 549,414	\$ 341,520	\$ 4,977,750	\$ 9,984,010

COSTA MESA SANITARY DISTRICT
Adopted Budget
Fiscal Year 2011-12

PERSONNEL SUMMARY (FTE)			
	Actual 2009-10	Budgeted 2010-11	Adopted 2011-12
Solid Waste Fund			
Directors	0.50	1.00	1.00
General Manager	0.05	0.50	0.50
Operations Manager	0.10	0.20	0.00
Office Manager/Clerk of District	0.10	0.60	0.60
Administrative Manager	0.10	0.20	0.20
Accounting Manager	0.00	0.00	0.20
Accountant	0.10	0.20	0.00
Accounting Specialist II	0.00	0.00	0.20
Accounting Specialist I	0.10	0.20	0.00
Office Specialist II	0.13	0.50	0.00
Office Specialist I	0.00	0.00	0.50
Permit Technician	0.00	0.00	0.20
Permit Processing Specialist	0.13	0.20	0.00
Program Assistant	0.05	0.80	0.00
Management Analyst	0.00	0.00	0.80
Code Enforcement Officer	0.45	0.50	0.50
Total Solid Waste Fund	1.81	4.90	4.70
Liquid Waste Fund			
Directors	4.50	4.00	4.00
General Manager	0.45	0.50	0.50
Operations Manager	0.90	0.80	0.00
Office Manager/Clerk of District	0.90	0.40	0.40
Administrative Manager	0.90	0.80	0.80
Accounting Manager	0.00	0.00	0.80
Accountant	0.90	0.80	0.00
Accounting Specialist II	0.00	0.00	0.80
Accounting Specialist I	0.90	0.80	0.00
Office Specialist II	0.12	0.50	0.00
Office Specialist I	0.00	0.00	0.50
Permit Technician	0.00	0.00	0.80
Permit Processing Specialist	1.12	0.80	0.00
Program Assistant	0.70	0.20	0.00
Management Analyst	0.00	0.00	0.20
Code Enforcement Officer	0.05	0.00	0.00
Maintenance Supervisor	1.00	1.00	1.00
Maintenance Worker III	0.00	0.00	2.00
Maintenance Worker	2.00	2.00	1.00
Lead Maintenance Worker	0.00	1.00	0.00
Total Liquid Waste Fund	14.44	13.60	12.80
Grand Totals	16.25	18.50	17.50

COSTA MESA SANITARY DISTRICT
Solid Waste Adopted Budget
Fiscal Year 2011-12

Solid Waste Description and Indicators

Function: Provide weekly collection of refuse from the residents of the City of Costa Mesa, Santa Ana Heights, portions of Newport Beach and portions of unincorporated Orange County. Special collection services include but are not limited to Christmas tree disposal, bulk item pickup, and used tires.

Service Indicators		2008/09	2009/10	Estimated 2010/11
Programs:				
	Compost bins provided to residents	261	221	529
	Christmas trees collected	6,594	7,509	4,968
	Telephone books recycled	11,126	17,049	10,721
	Used tires collected	80	40	140
	Tons of large items collected	511	360	296
	Tons of white goods collected	56	90	51
	Tons of household hazardous waste	3,791	2,566	1,533
	Tours	2	4	2
Service:				
	Tons of residential waste collected annually	40,996	40,286	40,756
	Number of residential units serviced annually	21,841	21,459	21,531
	Tons recycled	20,632	20,363	20,970
	Diversion rate	50%	51%	52%
Outreach:				
	Dollars awarded to schools phonebook recycling	5,900	10,100	7,500
	Plastics/recycling presentations	2	8	-
	Waste free lunch presentations	2	2	3
	Composting classes	3	1	8
Events:				
	Costa Mesa Community Run			
	Vanguard University Environmental Sustainable Conference			

**COSTA MESA SANITARY DISTRICT
Solid Waste Fund Adopted Budget
Fiscal Year 2011-12**

The adopted budget for the Solid Waste Fund, as compared to the projected actual revenues and expenses for the prior fiscal year, is as follows:

Costa Mesa Sanitary District Solid Waste Summary Budget				
	Adopted Budget FY 2011-12	Estimated Actual FY 2010-11	Increase (-Decrease)	
			Amount	Percent
Revenues:				
Annual charge	\$ 5,155,000	\$ 5,144,840	\$ 10,160	0.20%
Property taxes	-	119,461	(119,461)	-100.00%
Investment earnings	64,000	25,000	39,000	156.00%
Additional container charge	100,000	107,000	(7,000)	-6.54%
Other	30,000	58,247	(28,247)	-48.50%
Capital Contributions	-	-	-	0.00%
Total Revenues	5,349,000	5,454,548	(105,548)	1.16%
Expenses:				
Salaries & benefits	427,800	419,200	8,600	2.05%
Operations & maintenance	4,826,340	4,673,470	152,870	3.27%
Programs	94,500	186,390	(91,890)	-49.30%
Total Fund Expenses	5,348,640	5,279,060	69,580	-43.98%
Net Income (Loss)	\$ 360	\$ 175,488	\$ (175,128)	-99.79%

The following subsections highlight the more significant changes in the adopted budget for fiscal year 2010-11 as compared to the prior year's projected actual revenues and expenses.

Annual Charge

The adopted budget does not include an increase in the annual charge for solid waste. The current annual charge of \$239.41 per year, or \$19.95 per month, has been used in the development of this proposed budget.

**COSTA MESA SANITARY DISTRICT
Solid Waste Fund Adopted Budget
Fiscal Year 2011-12**

Property Taxes

No estimated revenue for property taxes has been included in the adopted budget. This is due to the uncertainty surrounding the District's continued receipt of general property tax given the State's financial condition, as well as the District's past practice of not budgeting this revenue source.

Additional Container Fee

This line item represents 100% of the variable container fee for the 2010-11 fiscal year. This revenue source is used for rate stabilization purposes. In fiscal year 2008-09, the split was agreed to be 86% to the District and 14% to CR&R. This split is evaluated every two years in accordance with the term of the contract. The split of the additional container charge was evaluated as part of the preparation of the fiscal year 2011-12 budget and the agreement was to continue the 86% District/14% CR&R split.

Investment Earnings

Investment earnings are expected to increase by \$39,000, or 156.0%, as compared to the conservative estimate of the prior year actual. The average rate of return on the portfolio is estimated at 1.10%, slightly higher than the prior fiscal year's rate of 1.0%. In addition, the total cash balance available to invest has increased over the past fiscal year resulting in greater investment earnings.

Salaries and Benefits

Salaries and benefits are anticipated to increase by \$8,600 or 2.05% of the estimated fiscal year 2010-11 actuals. Fiscal year 2010-11 estimated actuals are expected to be 4.98% less than the 2010-11 budgeted amount of \$450,200. The decrease is due to retirements and changes in staffing levels. Proposed staffing changes include a new role for the administrative manager to include human resources, risk management, emergency preparedness and public information officer. Additional changes include the following transitions:

- the accountant position transitioning to accounting manager;
- the accounting specialist I transitioning to accounting specialist II;
- a transition of the program assistant to management analyst;
- a transition of permit processing specialist to permit technician

and a new hire for the office specialist I position currently staffed by a temporary employee.

COSTA MESA SANITARY DISTRICT
Solid Waste Fund Adopted Budget
Fiscal Year 2011-12

Operations and Maintenance

Operations and maintenance costs are anticipated to increase \$152,870, of which \$8,650 is set aside as contingency. Staff anticipates a slight increase in occupancy and tonnage for the 2011-12 fiscal year. A zero waste consultant has been budgeted for \$30,000 to assist the District with planning for the future move toward zero waste. The District plans to purchase one electric automobile budgeted at \$35,000 for use by the ordinance enforcement officer.

Programs

Programs are budgeted to decrease by \$91,890, or 49.3%, from the prior year's projections. This decrease is due to the 2010-11 fiscal year carry forward of the remaining funds from the grant for the District's composting program not included in this budget document. Two District programs have been eliminated. The used tire roundup has been eliminated due to decreasing participation. Most residents no longer change tires at home and leave their old tires with the service center when they are replaced. The large item pickup has been replaced with a no charge additional pick up per resident each year. Residents will now be eligible for two free large item pickups per year. It is expected this change will result in a reduction of the scavenging of white goods that has been occurring during the annual large item pick up where neighborhoods place items out at the same time.

Net Income

The fiscal year 2011-12 adopted budget includes a net income of \$360. Staff is projecting unrestricted available funds in the amount of \$4,943,326 as of June 30, 2011. Staff is not recommending an increase in the annual charge at this time.

COSTA MESA SANITARY DISTRICT
Liquid Waste Fund Adopted Budget
Fiscal Year 2011-12

Liquid Waste Description and Indicators

Function: Provide inspection, routine maintenance, planning, design, and construction management of over 216 miles of District owned sewer lines. Services provided include cleaning, repairing, dye testing, locating connection points for residents and contractors, and responding to public inquires and emergency call-outs.

Service Indicators	2008/09	2009/10	Estimated 2010/11
Sewer Lateral Assistance Program:			
Dollars awarded	\$ 154,688	\$ 168,738	\$ 190,000
Applicants reimbursed	130	131	140
Service:			
Linear feet of sewer line cleaned	419,000	200,000	495,000
Manholes plugged	136	339	1,000
Sewer system overflows	4	4	2
Number of gallons lost	186	-	10

The adopted budget for the Liquid Waste Fund, as compared to the projected actual revenues and expenses for the prior fiscal year, is as follows:

COSTA MESA SANITARY DISTRICT
Liquid Waste Fund Adopted Budget
Fiscal Year 2011-12

Costa Mesa Sanitary District
Liquid Waste Summary Budget

	Adopted Budget FY 2011-12	Estimated Actual FY 2010-11	Increase (-Decrease)	
			Amount	Percent
Revenues:				
Annual charge	\$5,114,000	\$ 5,117,070	\$ (3,070)	-0.06%
Investment earnings	120,000	69,000	51,000	73.91%
Other	33,000	33,759	(759)	-2.25%
Capital Contributions				
Transfer In	2,397,250	28,520	2,368,730	
Total Revenues	7,664,250	5,248,349	2,415,901	46.03%
Expenses:				
Salaries & benefits	1,003,940	942,390	61,550	6.53%
Operations & maintenance	2,662,505	2,400,760	261,745	10.90%
CIP	2,397,250	1,428,148	969,102	67.86%
Transfer Out	1,600,000	-	1,600,000	
Total Fund Expenses	7,663,695	4,771,298	2,892,397	60.62%
Net Income (Loss)	\$ 555	\$ 477,051	\$ (476,496)	-99.88%

The following subsections highlight the more significant changes in the adopted budget for fiscal year 2011-12 as compared to the prior year's projected actual revenues and expenses.

Annual Charge

The adopted budget does not include an increase in the annual charge for liquid waste. The following current rates were used in the development of this proposed budget.

Service type	FY 2011-12
Single family residence	\$ 66.23
Multi-family residence	\$ 51.00
Commercial *	\$ 38.52
Industrial *	\$113.50
Other *	\$ 34.14
*This annual charge is on a per 1000 square foot basis	

COSTA MESA SANITARY DISTRICT
Liquid Waste Fund Adopted Budget
Fiscal Year 2011-12

The current Fats Oils & Grease (FOG) rates are adequate to meet our FOG requirements and no change is required. Our current FOG rates are:

Service type	FOG rate
Single family residence	\$ 2.77
Multi family residence	\$ 2.77
Commercial without food service	\$ 2.77
Commercial with cold food service	\$ 72.00
Commercial with hot food service	\$180.00
Other	\$ 2.77

Investment Earnings

Investment earnings are expected to increase by \$51,000, or 73.91%, as compared to the prior year. This is due to increased cash available to invest coupled with an average rate of return on the portfolio of 1.10%.

Salaries and Benefits

Salaries and benefits include the addition of one new maintenance worker, the transition of lead maintenance worker to the maintenance supervisor and the current maintenance workers to the maintenance worker III position. This is consistent with the goal of succession planning per the District's strategic plan. Overall salaries and benefits are anticipated to increase \$61,550, or 6.5%, as compared to fiscal year 2010-11 estimated actuals, but 14.7% less than the fiscal year 2010-11 budgeted amount of \$1,177,540.

Operations and Maintenance

Operations and maintenance costs are anticipated to increase by \$261,745, or 10.90%, over the prior year's projected actual expenses. The significant components of the operations and maintenance budget are as follows:

- An increase in professional services expenditures to fund a study of the District's pump stations need for emergency generators, a wastewater rate study and a branding consultant to provide assistance in educating the public regarding the District's services, programs and to make better known to the public the District's legal existence separate from the City of Costa Mesa.
- The inclusion of a transfer in the amount of \$1,600,000 to the newly funded asset management fund. This line item is needed to accumulate reserves in a separate fund for future replacement of District assets, such as sewer mains, HVAC's, buildings, solar panels, etc.

COSTA MESA SANITARY DISTRICT
Liquid Waste Fund Adopted Budget
Fiscal Year 2011-12

- The District's Sewer Lateral Assistance program has become so popular last fiscal year a budget adjustment was required to fund the applications received. An increase of \$100,000 to the prior year budget of \$150,000 provides \$250,000 available to residents in the 2011-12 fiscal year to address their lateral needs.
- An additional \$100,000 was added to the annual sewer maintenance program to cover the increase in maintenance requirements due to the aging of the District's infrastructure.
- Expenditures for Capital Outlay in the 2011-12 fiscal year include \$157,500 of improvements to the District Headquarters to enhance employee security. In addition, \$7,200 will be spent on equipment to video tape District meetings and place them on the District's website. Plans for enhancements to the Emergency Operations Center in the amount of \$32,400 will better enable District to respond in the event of an emergency and \$100,000 is budgeted to cover emergency generators as needed at District pump stations.

COSTA MESA SANITARY DISTRICT
Capital Improvement Projects Adopted Budget
Fiscal Year 2011-12

The Board has previously recognized the need to substantially increase the commitment to the Capital Improvement Program (CIP) in future years. In fiscal 2010-11 an asset management study was conducted with the goal of saving \$5 million in reserves for asset replacement and adopting a reserve fund for asset replacement that is sustainable for the next 30 years.

\$5.7 million is scheduled to be transferred to the asset replacement reserve at the beginning of the 2011-12 fiscal year, along with a 1.6 million included in the 2011-12 fiscal budget. Transfers will be required back to the sewer fund from the asset management reserve to fund the \$2,397,250 in CIP projects for the 2011-12 fiscal year leaving a balance in the fund of approximately \$4.9 million.

Capital improvement projects for fiscal year 2011-12 are as follows.

<u>Project No.</u>	<u>Project</u>	<u>Amount</u>
101	West Side Pumping Station Abandonment	\$ 350,000
171	Irvine Pump Station Force Main	293,750
190	Canyon Force Main	75,000
191	Condition Assessment Force Mains	50,000
192	System Wide Sewer Reconstruction	1,175,000
193	Pump Station Seismic Refurbish	100,000
194	Sewer Manhole Rehab	353,500
Total capital improvement projects for fiscal year 2011-12		<u>\$2,397,250</u>

**COSTA MESA SANITARY DISTRICT
Capital Improvement Projects Adopted Budget
Fiscal Year 2011-12**

Project #101 – West Side Pumping Station Abandonment

The allocation to this project for fiscal year 2011-12 represents the fifth consecutive year of funding. If the current practice of budgeting \$350,000 continues until the projected project date in fiscal year 2013-14, nearly \$2 million will be available to fund the project. In fiscal year 2011-2012, CMSD Staff will be working with OCSD and their consultants to identify possible alignments for the OCSD regional sewer and to assemble documentation for the project EIR. At the same time, CMSD staff will be performing preliminary engineering and easement acquisition for the proposed CMSD sewer facilities.



Project #171 – Irvine Pump Station Force Main

In fiscal year 2011-12, the total amount budgeted will be \$293,750. The project will be placed out to bid in early summer and construction will occur in mid-summer. The Irvine Pumping Station Force Main is at the top of the list of the District's planned force main replacement program.



COSTA MESA SANITARY DISTRICT
Capital Improvement Projects Adopted Budget
Fiscal Year 2011-12

Project #190 – Canyon Force Main



In January 2011 the District experienced a sewer system overflow (SSO) from the Canyon Force Main. This force main experienced two previous breaks and was at the top of the force main list to be replaced until the West Side Pumping Station Abandonment project was resurrected. The abandonment project supports the Canyon force Main be taken out of service in 2014. Concern of additional SSOs before abandonment of the force main caused the District to utilize ultrasonic testing of the pipe to determine if the entire line or only sections of the line were damaged. The sonogram results determined the section of the force main where the prior SSOs occurred was the only section in need of repair. The cost to slip line 380 linear feet of damaged pipe is estimated between \$50,000 to \$75,000. The project was budgeted for the 2011-12 fiscal year as a pro-active approach to the possibility of another spill.

Project #191 – Condition Assessment

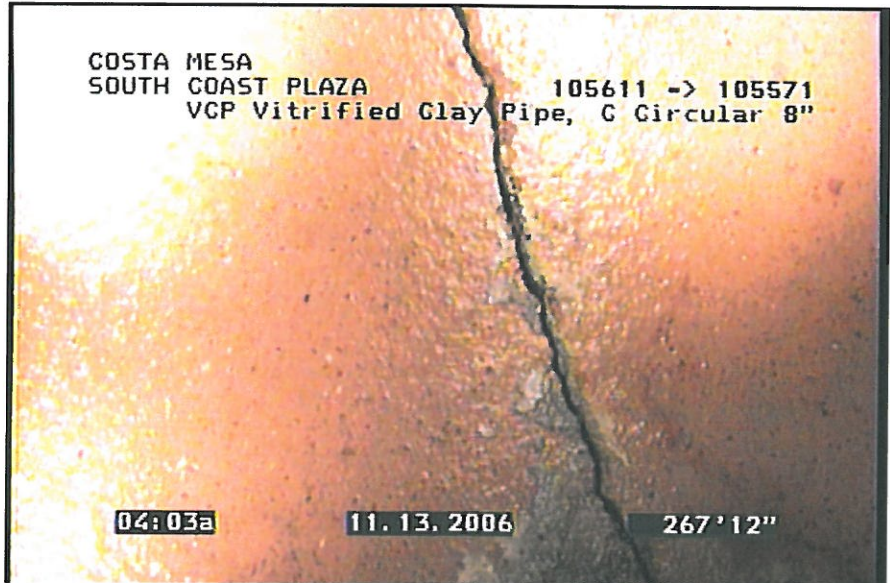
The ultrasonic technique used to determine the condition of the Canyon Pump Station force main pipe will be expanded to five additional District force mains. The cost is estimated at \$10,000 for each of the five locations for a total budget of \$50,000. This project is a continuation of the proactive approach taken by the District to prevent possible future SSOs.

COSTA MESA SANITARY DISTRICT
Capital Improvement Projects Adopted Budget
Fiscal Year 2011-12

Project #192 – System Wide Sewer Reconstruction

This project funds replacement, rehabilitation, and reconstruction of various types of deficiencies discovered during the District-wide televising program. The report from the closed circuit television (CCTV) data acquired during the OCSD cooperative project disclosed 239 reaches (manhole to manhole), each containing one or more Grade 5 structural ratings, and another 34 reaches containing one or more Grade 5 maintenance ratings in need of immediate repair. The structural and maintenance

problem areas were rated using the Pipeline Assessment and Certification Program (PACP), developed by the National Association of Sewer Service Companies (NASSCO) to analyze sewer lines. The PACP system rates the problems areas from 1 to 5 depending on their severity. Grade 1 is described as a minor defect and Grade 5 as a serious defect requiring immediate repair.



Project #193 – Seismic Refurbish

In fiscal year 2010-11 a seismic safety study of 14 District pump stations was conducted to determine their ability to withstand the highest magnitude earthquake anticipated to occur on the Newport Inglewood fault. Project 195 provides funding to make necessary reinforcements of the pump stations to address seismic instabilities and ensure pump stations remain structurally sound in the event of a large scale earthquake.



COSTA MESA SANITARY DISTRICT
Capital Improvement Projects Adopted Budget
Fiscal Year 2011-12

Project #194 – Sewer Manhole Rehab

This project will rehabilitate sewer manholes to include:

- building up deteriorated walls and channels,
- coating the manhole interiors,
- replacing steps,
- And replacing rings and covers.

